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C O N F I D E N T I A L SECTION 01 OF 02 YEREVAN 000642

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SUBJECT: PM SARGSIAN'S REPUBLICANS STRENGTHEN HOLD ON POWER  
AS POST-ELECTION LANDSCAPE TAKES SHAPE

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Classified By: CDA A.F.Godfrey for reasons 1.4 (b,d)

**¶11.** (C) Armenia's ruling Republican Party, led by PM Serzh Sargsian, is set to have a slim majority in the new National Assembly to be seated May 31. Results will not be made official until May 19, but it seems clear that the Republicans will take 68 out of 131 seats of the new parliament. Running a distant second and picking up 26 seats was its pro-government rival Prosperous Armenia. The ARF-Dashnaksutiun (Dashnaks) will have 16 seats and two opposition parties and independents will share the remaining 21 seats. Despite the Republican majority, Sargsian will probably seek a coalition partner, but it is not yet clear whether the bruises from the local-level competition will have healed in time for him to choose Prosperous Armenia over the Dashnaks. Among all the candidates, Sargsian was the one most capable of carrying forward the current negotiating track on Nagorno-Karabakh. We do not anticipate any major policy changes from Armenia once the new parliament, prime minister, and cabinet take office, by the end of June. End Summary.

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REPUBLICANS BEST UPSTART PROSPEROUS ARMENIA  
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**¶12.** (U) According to Armenia's constitution, 90 MPs are elected according to party list voting and 41 are elected in single-mandate districts. Preliminary results give 34 percent of the party-list contest vote to the ruling Republican Party of Armenia, 15 percent to Prosperous Armenia, 13 percent to the Dashnaks, 7 percent to opposition Orinats Yerkir and a 6 percent to the surging Heritage Party. The remaining 28 percent (representing votes cast for parties that failed to reach the 5 percent minimum threshold) will be allocated proportionally among the five parliamentary parties. The Republicans fared even better in the 41 single-mandate races, picking up 27 seats.

**¶13.** (C) Pending final validation and certification of the preliminary results, as of now the Republicans will have enough seats to control the National Assembly all on their own, without requiring the help of any other party. They may choose to do so, although we suspect they will prefer to bring at least one other party into government with them, most likely Prosperous Armenia. The Dashnak party is another party that could easily join the government, in lieu of or in addition to PA. The Republicans and Dashnaks have a comfortable modus vivendi that could easily be renewed. Whether formally in the government or not, we expect the Dashnaks to find considerable common cause with the government, winning government concessions on key Dashnak

priorities in exchange for supporting the government on most other things.

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PROSPEROUS ARMENIA FINISHES WITH A WHIMPER  
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¶14. (C) After bursting onto the political scene with great fanfare and much public acclaim, the oligarch-led Prosperous Armenia (PA) party seems not to have been able to go the distance. Over the last two months, the dominant Republican Party campaign came on strong, outshining the PA effort, which had been the most glittery effort previously seen. The Republicans also seem to have pulled every lever, fair and foul, among the powers of incumbency to turn out the votes in their favor.

¶15. (C) This race amounted to an unspoken duel between two pro-governmental forces, the entrenched Republicans backed by prime minister and presidential heir apparent Serzh Sargsian, and the upstart Prosperous Armenia, backed (discreetly, from a distance) by President Robert Kocharian, who must step down in 2008 according to the constitution. The rank-and-file hierarchies of the two parties have scrapped fiercely with each other right up to and through election day, with a number of reported incidents of physical confrontations between the two sides, quickly smoothed over and denied by both sides.

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HERITAGE COMES ON STRONG IN LATE CAMPAIGNING  
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¶16. (C) Another story from this election was the Heritage party surge. Former foreign minister (and former AmCit) Raffi Hovhanessian's Heritage Party, until recently written off as a non-contender, came on strong in the final weeks of the campaign. Hovhanessian has long enjoyed high personal

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popularity ratings in Armenia, but his party's figures have always languished in low single-digits and the party had little in the way of organizational infrastructure. Conventional wisdom was that voters saw the American-born Hovhanessian as a nice man, who did not have what it takes to be a player in Armenian politics. Hovhanessian crisscrossed Armenia during the campaign, with a brightly-painted, American-style campaign bus, and led television-savvy campaign stops. His party surged by the end of the campaign, and he polled very strongly in Yerevan.

¶17. (C) Hovhanessian has complained that he actually won more than twice the number of votes officially announced, and though his estimate is probably high, we suspect that quite a number of Heritage votes found their way into Republican Party piles during the night of vote-counting. We saw this happen quite flagrantly in one polling place, and are prepared to believe it probably happened elsewhere as well. Heritage has announced its intention to file court challenges. This story may unfold further in coming weeks. Also unclear is how Hovhanessian will use his newly-won electoral validation. Will he take his seats in parliament and try to find a way to look statesmanlike and effective at governance from that weak perch? Or will he choose to join the more radical opposition axis (led by the Impeachment Bloc, Republic Party, and New Times Party), and try to build popular momentum from the streets, with a rejectionist strategy? He may wait and see how much traction the street demonstrations get before deciding which way to jump.

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ORINATS YERKIR: LET'S MAKE A DEAL?  
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¶18. (C) Artur Baghdassarian's opposition Orinats Yerkir (Rule of Law) party will be a wild card factor. Baghdassarian is

certainly mercenary enough to accept -- even pant after -- some kind of deal to return to government, but we have had a clear signal from President Kocharian that the president wants nothing more to do with the young former parliament speaker. Alternatively, Baghdassarian might throw his lot in with the strident opposition, though we doubt he will embrace wholeheartedly a radical street protest strategy -- unless it should seem against all expectation to be really working. Baghdassarian's naked ambition is to get back into government. His preferred tactic is a triangulation strategy; he tries to stake out territory as the "moderate" or "reasonable" opposition, with measured criticism and keeping options open. Though this strategy has left him with a core of public support, it leaves him unliked and mistrusted by the authorities and the real opposition alike.

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THE RADICAL OPPOSITION TAKES A SHOT

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¶9. (C) The Impeachment Bloc, together with its allies the Republic and New Times parties, is still betting on a strategy to bring people to the streets. We do not expect this to gain much traction, but are not nearly as dismissive as we would have been six weeks ago. The Impeachment Bloc has shown surprising success during the campaign period in turning out perhaps as many as 10,000 (maybe even a bit more) to a couple of its largest rallies in the last two weeks of the campaign. It did so with a clear and simple rallying cry ("Im-peach-ment! Im-peach-ment!") chanted continuously.

¶10. (C) Impeachment may have more chance of getting some momentum going if the popular and effective stump campaigner Raffi Hovhanissian (Heritage Party) throws his weight behind the movement, and decides to take an active part. However, this will depend partly on how effective the rallies seem to become on their own, and equally on whether the leaders can make a deal that gives Raffi sufficient deference to satisfy his ego.

¶11. (C) On May 13, a joint Impeachment/ Republic/New Times rally kicked off at Freedom Square as scheduled at 5:00pm, conspicuously failed to generate any spark, in the lightly-drizzling rain, and broke up before 6:30. Perhaps realizing it is hard to fire up protesters over election results that were still trickling out of the election commissions, the organizers called for a new Freedom Square rally on Friday evening, May 18. They have since announced a Freedom Square sit-in, by way of preparation, for the evening of May 16.

GODFREY